McINTYRE
PORCUPINE MINES LIMITED

ANNUAL REPORT 1972

McINTYRE PORCUPINE MINES LIMITED

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 10:00 o'clock a.m. (Toronto time) on Thursday, April 26th, 1973 in the Territories Room, Royal York Hotel, Toronto, Ontario.

CONTENTS

Capital Stock

Authorized: 3,000,000 shares without par value
Issued: 2,424,482 shares

Location of Mines

The McIntyre Mine, Schumacher, Ontario
The Madeleine Mine, Ste. Anne des Monts, Quebec
McIntyre Coal Mines, Smoky River, Alberta

Executive and Head Office

Suite 5100 Commerce Court West
Toronto, Ontario M5L 1C1

Auditors

Price Waterhouse & Co.
Chartered Accountants, Toronto, Ontario

Transfer Agents

Canada Permanent Trust Company, Toronto, Ontario and Calgary, Alberta
Bankers Trust Company, New York, N.Y.

Registrars

Crown Trust Company, Toronto, Ontario and Calgary, Alberta
The Chase Manhattan Bank (National Association), New York, N.Y.

Directors

*M. A. COOPER Toronto, Ontario	*President and Managing Director, Falconbridge Nickel Mines Limited*
N. F. W. H. D'ARCY London, England	*President, Locana Corporation Limited*
†*A. E. FELDMEYER Calgary, Alberta	*President and Managing Director Canadian Superior Oil Ltd.*
†*R. B. FULTON Toronto, Ontario	*President and Chief Executive Officer of the Company*
J. K. GODIN, Toronto, Ontario	*Consulting Mining Engineer*
J. O. HAMBRO London, England	*Chairman Hambros Limited*
*H. B. KECK Houston, Texas	*President The Superior Oil Company*
W. M. KECK, JR. Los Angeles, California	*Director and Member of the Finance Committee The Superior Oil Company*
SENATOR THE HON. E. C. MANNING, P.C., C.C., Edmonton, Alberta	*President M & M Systems Research Ltd.*
†*D. G. C. MENZEL Toronto, Ontario	*Partner Campbell, Godfrey and Lewtas*
J. L. NORMAN Houston, Texas	*Vice-President Manufacturing and Sales The Superior Oil Company*

* Member of the Executive Committee

† Member of the Audit Committee

Officers

M. A. COOPER, *Chairman of the Board*

R. B. FULTON, *President and Chief Executive Officer*

J. B. ANDERSON, *Vice-President Operations*

F. T. McKINNEY, *Corporate Secretary*

A. G. GOODEVE, *Treasurer and Comptroller*

Metals Division

J. A. PLAXTON, *Manager, Toronto, Ontario*

McIntyre Coal Company Limited

C. E. RICHARDSON, *President, Grande Cache, Alberta*

Mine Managers

A. A. ADAMSON, *The McIntyre Mine, Schumacher, Ontario*

G. E. LACAILLE, *The Madeleine Mine, Ste. Anne des Monts, Quebec*

W. MURRAY, *The McIntyre Coal Mine, Smoky River, Alberta*

McINTYRE
PORCUPINE MINES LIMITED

DIRECTORS' REPORT

To the Shareholders:

This is the sixty-first annual report of your Company.

Throughout the year the Company's Smoky River Coal Division continued to incur substantial losses due principally to low productivities in the underground mines and unsatisfactory performance by the preparation plant. At the Schumacher Mine both the gold and copper sections operated profitably, as did the Madeleine Mine despite its closure from November 13th through the year-end as the result of a strike by the hourly-paid employees.

In 1972 McIntyre adopted retroactively the equity method of accounting for its investments in affiliated companies, Falconbridge Nickel Mines Limited and Madeleine Mines Ltd., in which the Company holds equity interests of 37.3% and 36.4% respectively. The year's results show a loss, after extraordinary items, of $30.1 million. Operating losses including equity in earnings of affiliates, totalled $8.1 million, added to which was an extraordinary charge of $3.6 million resulting from the closure of No. 5 coal mine and an extraordinary charge of $18.4 million due to the shutdown of Falconbridge's nickel-iron pellet refinery.

The loss on 1972 operations of $8.1 million, exclusive of the extraordinary items, compares with a loss, restated, of $6.5 million for 1971 during which a deficit of $1.5 million incurred by the Smoky River Coal Division in the first quarter was deferred as preproduction costs. Dividends received by the Company from Falconbridge during 1972 totalled $1,848,000 compared with $5,055,000 during 1971.

Coal Division

Raw coal production totalled 2,533,000 long tons, of which 2,432,000 long tons, including breaker rejects, were processed in the preparation plant. 1,565,000 long tons of specification grade coal were produced, which compares with the 1,178,000 long ton output during 1971.

The underground mines, Nos. 2 and 5, produced 847,000 and 632,000 long tons of raw coal respectively, equivalent to 83% and 62% of their budgeted tonnages. Roof conditions in these mines, particularly No. 5, deteriorated as the working faces advanced under progressively deeper cover, and heaving of mine floors increased. These conditions necessitated timbering and other non-productive work and resulted in markedly higher production costs, particularly during the latter months of the year. In order to stabilize the operation economically, yet sustain production for the Company's contractual requirements, No. 5 Mine was closed on January 31, 1973 and production from No. 8 strip mine which operated satisfactorily throughout 1972 was substantially increased. Mining equipment from the closed workings was transferred to No. 2 Mine as a means of improving the efficiency of its operation and increasing the output of coal from that source.

Modifications to the preparation plant were carried out during the entire year and included the installation of cyclones in the tailings disposal system and relocation of the magnetite separation and reclamation equipment. These and other changes, coupled with an operator training program, have improved the operating efficiency of the plant significantly.

The Company and the bargaining agent for its hourly-paid employees, the United Steelworkers of America, negotiated an extension to the labor agreement for a two year period ending September 30, 1974. The settlement will result in labor cost increases totalling approximately 6.5% during the first year of the contract and 6% during the second. Labor turnover during the year declined to an average monthly rate of 5% compared with 8% during 1971. The aforementioned closure of No. 5 Mine and related administrative staff changes has resulted in a reduction in the number of employees at the operation from 786 to a total of 636.

In October, 1972, Company representatives met in Tokyo with officials of the Japanese steel mills who purchase Smoky River coal under a long term contract, to initiate negotiations for a price increase. Further meetings took place prior to year's end, at which the Company presented its mining plan for acceptance. Final negotiations are now scheduled to take place during March, 1973, with any base price modification and price escalation revisions agreed upon to go into effect April 1, 1973.

The Company's coal handling facility in Vancouver, managed by Neptune Terminals Limited, was subjected to protracted operational interruptions caused by successive strikes by Japanese seamen and west coast longshoremen. Increased coal handling costs, both at the terminal and at the minesite, resulted from these stoppages.

The feasibility study of the Copton Excol coal leases

situated north-west of the Smoky River property was completed by Paul Weir Company at mid-year. The study confirmed the existence of large reserves of metallurgical coal.

Schumacher Division
(McIntyre Mine)

Gold ore milled during the year totalled 302,840 tons having an average grade of 0.301 ounce per ton. 86,638 ounces of gold and 9,294 ounces of silver were produced. All gold production was sold on the Free Market at an average price of $57.92 per ounce over the entire year.

During the year 758,380 tons of copper ore were milled, producing 9,297,276 pounds of copper, 17,441 ounces of gold and 70,132 ounces of silver. The average grade of ore treated was 0.659% copper and 0.029 ounce gold per ton. The copper grade was below that anticipated due to excessive wall rock dilution in several stopes.

The total value of metal production was $10.6 million and earnings from operations after depreciation were $1.3 million.

Development

In the gold section development totalled 2,872 feet of drifting and cross-cutting, of which 1,033 feet were in ore averaging 0.278 ounce gold per ton over a width of 8.0 feet. Diamond drilling aggregated 22,767 feet.

In the copper section of the mine 9,185 feet of lateral work and raising were completed. Diamond drilling totalled 41,993 feet. The main copper zone has been identified on the 4175′ level, 300 feet below the present mining level. Exploratory work on the 4625′ level is under way to check on a downward continuation.

Ore Reserves

Gold ore reserves are estimated at 531,000 tons grading 0.284 ounce per ton, an increase of 144,000 tons over the 1971 year-end total of 387,000 tons at 0.326 ounce per ton. This increase is primarily due to lower ore grade cut-off levels permitted by higher gold prices, and to a lesser extent to additional tonnage resulting from an expanded exploration program.

Copper ore reserves at year-end were estimated at 3,239,000 tons averaging 0.66% copper and 0.030 ounce gold per ton. Copper grades for those blocks of reserves affected by serious wall rock dilution have been reduced, resulting in an overall lower reserve grade. Ore reserves in 1971 were 3,490,000 tons at 0.74% copper and 0.026 ounce gold per ton.

Falconbridge Nickel Mines Limited

In June, 1972, the official opening of the ferronickel complex of Falconbridge Dominicana C. por A. took place. Construction of the process plant and related production facilities in the Dominican Republic was completed on time and within budget. Since the beginning of commercial production in June the plant has operated at a rate exceeding 80% of its annual designed capacity of 63 million pounds of nickel in ferronickel.

In December the directors authorized the shutdown of the nickel-iron pellet refinery and the adjacent sulphur recovery plant at Sudbury.

Although Falconbridge delivered during the year a record quantity of refined nickel metal, as well as initial production of ferronickel from its Dominican subsidiary, lower prices for copper, higher operating costs and an unfavorable currency exchange rate adversely affected earnings of the Company and its copper producing subsidiaries.

Madeleine Mines Ltd.

Earnings for 1972 were $1,053,000 or 22¢ per Madeleine share compared with $1,678,000 or 36¢ per share during 1971. The lower profit resulted from depressed prices for copper during most of the year and a closedown of operations caused by a strike of the Company's hourly-paid employees which lasted from November 13th to February 12th of this year. The sum of $2,675,000 was funded for payments on the Company's revenue bonds, leaving a balance of $825,000 outstanding.

During the period of operations the mill treated 729,608 tons of ore having an average grade of 1.42% copper. Production totalled 19,450,796 pounds of copper and 192,813 ounces of silver. The 1971 production figures were 869,468 tons milled, ore grade of 1.38% copper and 22,491,812 pounds of copper and 197,116 ounces of silver recovered.

Development during the year was primarily confined to sinking a vertical shaft below the lower adit level. This will facilitate mining the deeper sections of the known ore reserves and provide access for exploration for additional reserves. At year's end 170 feet of sinking were required for completion.

No significant tonnage of ore was added to the reserves during the year, with the result that at year's end these stood at 4,427,000 tons having an average grade of 1.17% copper, compared with the year earlier total of 5,014,000 tons grading 1.20% copper.

Exploration

Exploration in Canada during 1972 included work in the Timmins, Ontario, area and investigation of selected precious and base metal prospects in Quebec, the Maritime Provinces and British Columbia. Evaluation of the Copton coal property north-west of Smoky River was completed at mid-year.

In Australia joint venture uranium exploration programs in Western Australia and Northern Territory were terminated and interests held by the Company in several nickel prospects in Western Australia were farmed out to an associated company. The Company closed its offices in Sydney and Perth and transferred its headquarters to Brisbane, Queensland.

Employees

Good relations were maintained between the Company and its employees during 1972. At the end of the year employees numbered 1,626 including 202 at the Madeleine Mine.

Labor agreements, each of two years' duration, were negotiated at the Schumacher Mine and at the Smoky River Coal Division during the year with the hourly-paid employees' bargaining agent at both operations, the United Steelworkers of America. At the Madeleine Mine negotiations on a renewal of the labor contract with representatives of the Steelworkers Union were not successful and the Union membership took strike action on November 13th, closing the mine until February 12th, 1973, when a new contract was finally agreed upon and operations were resumed.

On November 4, 1972, fifteen new members were honored at the Quarter Century Club annual meeting held at Schumacher, Ontario. 342 employees have now received this recognition for their services to the Company.

Shareholders

At year's end 3,042 shareholders held 2,424,482 shares in the Company, compared with 2,941 shareholders holding the same number of shares at December 31, 1971.

Outlook

Prospects for expanding the sales market for Smoky River coal into steel producing centers other than Japan, such as the Great Lakes and Western Europe, improved markedly during the past few months, and with this development higher coal prices can be expected. Re-alignment of the Coal Division's mining program to provide a greater percentage of output from surface mines has resulted in lower unit production costs. These factors should assist in the economic stabilization of the coal mining operation during 1973.

Higher gold and copper prices now in effect have helped earnings at the Schumacher and Madeleine Mines, but declining ore reserve grade at both properties is an offsetting factor. Labor stability during the current year is anticipated.

Acknowledgements

Your directors express their appreciation to the employees of the Company for their efforts during the past year.

On behalf of the Board of Directors

R. B. Fulton

President and Chief Executive Officer

Toronto, March 16, 1973.

AUDITORS' REPORT

Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto 111 Ont. (416) 863-1133 Telex 02-2246

March 16, 1973

To the Shareholders of
McIntyre Porcupine Mines Limited:

We have examined the consolidated balance sheet of McIntyre Porcupine Mines Limited and its subsidiaries as at December 31, 1972 and the consolidated statement of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of other chartered accountants as to the equity of McIntyre Porcupine Mines Limited in the net earnings of Falconbridge Nickel Mines Limited.

In our opinion, subject to the achievement of the operating objectives set forth in Note 2 to the financial statements, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in accounting for investments referred to in Note 1 to the financial statements.

Price Waterhouse & Co.

Chartered Accountants

McINTYRE
PORCUPINE MINES LIMITED
AND SUBSIDIARY COMPANIES
(Incorporated under the laws of the Province of Ontario)

CONSOLIDATED BALANCE SHEET

($000's omitted)

Assets

	DECEMBER 31 1972	DECEMBER 31 1971 (restated)
Current		
Cash	$ 147	$ 121
Short-term deposits	1,055	6,555
Settlements outstanding and inventories (note 3)	5,078	3,226
Other receivables	1,505	1,875
	7,785	11,777
Investments (note 4)		
Falconbridge Nickel Mines Limited	85,948	104,401
Madeleine Mines Ltd.	5,629	5,575
Other at cost	850	892
	92,427	110,868
Properties and Plant		
Plant and equipment at cost (note 5)	56,527	54,543
Less accumulated depreciation	14,371	12,069
	42,156	42,474
Deferred mine development less amortization (note 6)	25,607	27,614
	67,763	70,088
Other		
Mine supplies at cost	3,942	2,977
Long-term account receivable (note 7)	1,463	1,096
Employee housing loans (note 11)	1,991	1,435
	7,396	5,508
	$ 175,371	$ 198,241

Liabilities

	DECEMBER 31 1972	1971 (restated)
Current		
Inventory financing (note 3)	$ 1,500	$ —
Accounts payable and accrued liabilities	7,506	4,718
5½ % Notes due within one year	1,173	1,173
	10,179	5,891
Long Term		
Bank loan repayable by December 31, 1976	64,000	59,900
5½ % Notes due 1974 and 1975	1,701	2,834
	65,701	62,734
Shareholders' Equity		
Capital stock (note 12)		
Authorized — 3,000,000 shares without par value		
Issued — 2,424,482 shares	9,186	9,186
Retained earnings	94,100	124,225
	103,286	133,411
Less equity in own shares held by affiliate	3,795	3,795
	99,491	129,616
	$ 175,371	$ 198,241

Approved by the Board:

R. B. FULTON, Director

M. A. COOPER, Director

McINTYRE
PORCUPINE MINES LIMITED

CONSOLIDATED EARNINGS

($000's omitted)	YEAR ENDED DECEMBER 31 1972	1971 (restated)
Gold		
Operating revenue (1971 — includes EGMA $936,000)	$ 5,047	$ 4,171
Expenses	4,506	4,326
Earnings	541	(155)
Copper		
Operating revenue	5,607	5,240
Expenses	4,830	4,697
Earnings	777	543
Coal (1971 — 9 months from April 1)		
Operating revenue	28,974	15,656
Expenses	38,298	22,832
(Loss)	(9,324)	(7,176)
Investments		
Equity in earnings of affiliates —		
Falconbridge Nickel Mines Limited (excludes extraordinary item)	1,842	1,391
Madeleine Mines Ltd.	54	231
	1,896	1,622
(Loss) Before Following Items	(6,110)	(5,166)
Exploration	1,204	1,481
Corporate expenses	1,020	1,196
Other income	(265)	(189)
Deferred income taxes		(1,160)
	1,959	1,328
(Loss) Before Extraordinary Items	(8,069)	(6,494)
Extraordinary items (note 9)	(22,056)	
(Loss) for year	$ (30,125)	$ (6,494)
(Loss) Per Share includes extraordinary items 1972 — ($9.10)	($12.43)	($2.68)

(Depreciation, amortization and interest — note 8)

CONSOLIDATED RETAINED EARNINGS

($000's omitted)	YEAR ENDED DECEMBER 31 1972	1971 (restated)
Retained Earnings at Beginning of Year		
As previously reported		$ 120,865
Adjustment for change to equity method of accounting for affiliated companies		11,794
As restated	$ 124,225	132,659
Loss for year	30,125	6,494
	94,100	126,165
Dividends (1971 $0.80 per share)		1,940
Retained Earnings at End of Year	$ 94,100	$ 124,225

CONSOLIDATED SOURCE AND USE OF FUNDS

($000's omitted)	YEAR ENDED DECEMBER 31 1972	1971 (restated)
Source of Funds		
Bank and note financing	$ 4,140	$ 10,356
Sale of investments		1,388
	4,140	11,744
Use of Funds		
Operations —		
Loss for year	30,125	6,494
Extraordinary items not affecting working capital	(21,430)	
Depreciation and amortization	(4,903)	(3,670)
Equity in undistributed earnings of affiliates	48	(3,433)
Deferred income taxes		1,160
	3,840	551
Properties and plant	5,561	6,115
Note repayments	1,173	1,173
Dividends		1,940
Employee housing loans	556	(33)
Long-term receivable	367	539
Mine supplies and other	923	1,170
	12,420	11,455
Increase (decrease) in working capital	(8,280)	289
Working Capital Changes		
Cash and short-term deposits	(5,474)	18
Settlements outstanding and inventories	1,852	1,153
Other receivables	(370)	(68)
Inventory financing	(1,500)	
Accounts payable and accrued liabilities	(2,788)	(814)
Increase (decrease) in working capital	(8,280)	289
Working capital — beginning of year	5,886	5,597
Working capital — end of year	$ (2,394)	$ 5,886

McINTYRE
PORCUPINE MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1972

1. Principles of Consolidation

The consolidated financial statements include the accounts of all companies more than 50% owned. The assets and earnings of these companies are not significant and aggregate less than 2% of the consolidated total.

In 1972 the Company adopted retroactively the equity method of accounting for its investments in its affiliated companies, Falconbridge Nickel Mines Limited and Madeleine Mines Ltd. These investments, formerly carried at cost, have been adjusted to reflect the Company's interest in undistributed earnings less amortization of the excess of cost over the underlying book values at dates of acquisition, as shown in Note 4.

2. Smoky River Coal Mine

The Company's coal operation has continued to incur heavy losses which exceed $16 million since commencement of production in April 1971. As a corrective measure No. 5 underground mine, the production from which was uneconomic, was closed early in 1973. The Company has expanded production at No. 8 open-pit mine and continues to operate No. 2 underground mine in order to meet commitments under its long-term sales contract. It is also negotiating currently with its Japanese customers for an increase in the contract price.

The Company's coal reserves are substantial and management believes that with the measures being taken it has a viable operation which in the short run will stabilize the Company's financial position and in the long run will provide a profitable return and the ultimate recovery of the general deferred development costs of $16,894,000 referred to in Note 6.

No. 5 mine remains a potential source of coal and can be reopened should coal prices and technological advances render its operation economic.

3. Settlements Outstanding and Inventories

These are valued at estimated net realizable value and comprise:

	December 31 1972	December 31 1971
	($000's omitted)	
Metal settlements outstanding and inventories	$ 1,811	$ 1,530
Clean metallurgical coking coal	3,166	1,116
Houses for sale to employees less mortgages thereon	101	580
	$ 5,078	$ 3,226

In estimating net realizable value metal prices are based on market prices prevailing at the year-end and the coal price is based on a long-term sales contract.

The Company has a bank line of credit of $2,500,000 secured by its clean coal inventory at Neptune Coal Terminals in Vancouver. At December 31, 1972 the Company had borrowed $1,500,000 in respect of this line of credit.

4. Investments

The change in accounting policy referred to in Note 1 has resulted in the following restatement of the Company's investment in its affiliated companies, Falconbridge Nickel Mines Limited (37.3% owned) and Madeleine Mines Ltd. (36.4% owned) —

	1972 Falconbridge	1972 Madeleine	1971 Falconbridge	1971 Madeleine
	($000's omitted)			
Cost of acquisition	$ 101,130	$ 4,280	$ 101,130	$ 4,280
Equity in undistributed earnings	30,366	2,531	48,599	2,148
Equity in own shares held by affiliate	(3,795)		(3,795)	
Amortization of excess cost	(41,753)	(1,182)	(41,533)	(853)
Investment at equity	$ 85,948	$ 5,629	$ 104,401	$ 5,575
Market value at December 31	$ 120,147	$ 5,565	$ 151,570	$ 4,212

In the case of Falconbridge the Company has amortized the excess of its cost over the underlying book value at date of acquisition at the rate of $2.50 per share held per annum over the 12-year period 1961-1972. By December 31, 1972 such excess cost was completely amortized.

In the case of Madeleine the Company is amortizing the excess of its cost over the underlying book value at date of aquisition over the estimated life of the ore reserves. At December 31, 1972 $2,189,000 of such excess cost remains to be amortized.

Summarized financial information for these two companies is presented below —

	1972		1971	
	Falconbridge	Madeleine	Falconbridge	Madeleine
	($000's omitted)			
Current assets	$ 175,569	$ 4,350	$ 160,991	$ 6,378
Other assets	487,352	9,043	543,583	10,473
	$ 662,921	$ 13,393	$ 704,574	$ 16,851
Current liabilities	$ 63,288	$ 3,113	$ 43,924	$ 4,949
Long-term liabilities	359,034	825	371,170	3,500
Shareholders' equity	240,599	9,455	289,480	8,402
	$ 662,921	$ 13,393	$ 704,574	$ 16,851
Earnings before extraordinary items	$ 5,529	$ 1,053	$ 16,217	$ 1,678
Extraordinary items	(49,456)			
Earnings (loss)	$ (43,927)	$ 1,053	$ 16,217	$ 1,678
Dividends paid	$ 4,954		$ 13,640	

The change to the equity method of accounting has had the effect of increasing McIntyre's loss by $18,399,000 (including extraordinary items) in 1972 and $3,433,000 in 1971 after taking into account dividends received, and the amortization of excess cost of $549,000 in 1972 and $5,001,000 in 1971.

5. Plant and Equipment

Plant and equipment at cost are as follows:

	December 31 1972	1971
	($000's omitted)	
Smoky River coal mine:		
Underground equipment	$ 13,114	$ 12,721
Surface plant and equipment	24,583	22,750
	37,697	35,471
Vancouver terminal facilities	8,974	8,703
McIntyre mine	9,135	9,403
Other	721	966
	56,527	54,543
Less accumulated depreciation	14,371	12,069
	$ 42,156	$ 42,474

Plant and equipment are being depreciated on a straight-line basis over their productive life.

As a result of the closing of No. 5 mine the cost of certain non-recoverable equipment less depreciation, amounting to $458,000 was written off as an extraordinary charge to earnings at December 31, 1972.

6. **Deferred Mine Development**

Unamortized mine development costs are as follows:

	December 31 1972	1971
Smoky River	($000's omitted)	
Producing properties	$ 2,669	$ 6,279
Non-producing properties	5,970	4,211
Unallocated costs	16,894	16,894
	25,533	27,384
McIntyre Mine	74	230
	$ 25,607	$ 27,614

Development expenditures relating to each mining property are deferred until the property is brought into production at which time they are amortized on a unit of production basis.

As a result of the closing of No. 5 mine the unamortized development costs relating to it, amounting to $2,525,000, were written off as an extraordinary charge to earnings at December 31, 1972.

General exploration, infrastructure costs and start-up expenses aggregating $16,894,000 have been segregated and are not being amortized. Included is the purchase price ($2,050,000) of certain longwall equipment which proved unsatisfactory and for which a claim has been made against the supplier for recovery and allied costs.

7. **Long-Term Account Receivable**

The rental of the Company's coal-handling facilities in Vancouver to Neptune Coal Terminals Ltd. is payable out of the future cash flow of the terminal operation. It is expected that the amount receivable at December 31, 1972 of $1,463,000 will be repaid over several years after 1973.

8. **Charges Included in Consolidated Earnings**

	1972	1971
Depreciation of plant and equipment:	($000's omitted)	
Gold	$ 54	$ 53
Copper	176	173
Coal	3,307	2,557
Corporate expenses	14	63
	$ 3,551	$ 2,846
Amortization of mine development		
Copper	$ 156	$ 164
Coal	1,196	660
	$ 1,352	$ 824
Interest		
Coal	$ 3,673	$ 2,505
Corporate expenses	226	446
	$ 3,899	$ 2,951

9. **Extraordinary Items**

These are as follows:	($000's omitted)
Provision for close-down expenses and write-off of unamortized development and certain non-recoverable equipment costs relating to No. 5 mine	$ 3,609
Company's share of Falconbridge write-down of nickel-iron pellet refinery and other projects	18,447
	$ 22,056

10. Income Taxes

Investment income from Falconbridge Nickel Mines Limited and Madeleine Mines Ltd. is not taxable to McIntyre.

Accumulated charges to income which have not been claimed for tax purposes total approximately $18,500,000 and are available to reduce future provisions for income taxes that might otherwise be required.

11. Commitments and Contingencies

(i) McIntyre has contracted to deliver 29½ million long tons of metallurgical coking coal to the Japanese steel industry over a 15-year term which commenced in 1970. To December 31, 1972, 2,881,000 tons have been delivered under this contract.

(ii) The Company has guaranteed mortgages amounting to $9,269,000 at December 31, 1972 in respect of employee housing in Grande Cache. In addition the Company has provided $1,991,000 of interest-free loans to employees to assist them in the purchase of houses. Of this amount $1,050,000 is subject to forgiveness at the rate of 10% per year commencing in 1976 so long as the purchasers remain employees of the Company.

Approximately 125 houses will become vacant as a result of the closing of No. 5 mine. The Company's carrying charges for these houses will amount to approximately $35,000 per month until they are resold.

(iii) A long-term lease for the supply of unit-train rail cars for the transportation of coal to Vancouver provides for minimum rental charges of $662,000 per year.

(iv) Under an agreement with the Canadian National Railway Company, McIntyre is required to move by rail a minimum of 1,915,200 short tons of coal annually from Smoky River to Vancouver and must pay a penalty of $0.64 per short ton on any shortfall. The Company is disputing charges of $168,640 by the Railway in respect of a tonnage shortfall which the Company contends could not be moved through reasons beyond its control and no provision has been made for this amount in the Company's accounts.

(v) The Company has a 15 year contract to supply annually to Alberta Power Limited a minimum quantity of middlings coal which is produced as a by-product of the metallurgical coal-washing process. This contract becomes effective when Alberta Power Company's new thermal plant adjacent to the Smoky River Mine commences generation.

(vi) The Company is obligated to pay approximately $500,000 balance of purchase for shares of a subsidiary company (77.5% owned) in the event the coal property of the subsidiary is brought into commercial production.

(vii) The Company has an agreement to sell in 1974 a one-half interest in its coal terminal facilities in Vancouver for approximately $4,250,000 which represents half the cost of the facilities less adjustments for throughput within the period.

(viii) Outstanding commitments at December 31, 1972 for equipment on order, plant modifications and mine development totalled approximately $724,000.

12. Capital Stock

Of 150,000 shares set aside in 1958 under the Executive and Key Employees Stock Option Plan 125,450 had been issued to December 31, 1972 and at that date there was one option outstanding for 4,000 shares, at $110.20 per share, expiring on February 4, 1979.

13. Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid or payable to directors and senior officers amounted to $474,000 which included directors' fees of $45,000 and severance and consulting payments of $47,000.

TEN YEAR REVIEW (a)

	1972	1971	1970
Statistical			
PRODUCTION:			
Gold ounces (b)	104,079	108,728	104,270
Average selling price per oz. (incl. EGMA)	$57.92	$45.36	$45.71
Copper, in thousands of pounds	9,297	9,556	10,167
Average selling price per lb.	48¢	46¢	52¢
Coal, long clean tons – production (c)	1,565,720	1,178,197	420,276
– shipments (c)	1,383,150	1,163,709	334,716
Average selling price per long clean ton	$18.18	$17.96	$14.03
SHAREHOLDERS AND EMPLOYEES:			
Shares outstanding	2,424,482	2,424,482	2,424,482
Shareholders	3,042	2,941	2,972
Employees	1,626	1,663	1,452
Financial ($000's omitted)			
EARNINGS:	$	$	$
Revenue – Metal production	10,654	9,411	10,185
– Coal production	28,974	15,656	
Investment income	1,896	1,622	12,016
Exploration	1,204	1,481	2,051
Interest	3,899	2,951	290
Extraordinary gains (losses)	(22,056)		747
Depreciation and amortization	4,903	3,670	562
Income taxes		(1,160)	(312)
Earnings (loss)	(30,125)	(6,494)	10,395
Per share	(12.43)	(2.68)	4.29
Dividends paid		1,940	4,844
Per share		80¢	2.00
FINANCIAL POSITION:			
Working capital (deficit)	(2,394)	5,886	5,597
Investments at equity	92,427	110,868	115,588
Properties and plant	67,763	70,088	67,643
Long term debt	65,701	62,734	53,551
Shareholders' equity	99,491	129,616	138,050
Per share	41.04	53.46	56.94

(a) 1971 and prior years restated to conform with 1972 presentation.

(b) Includes gold recovered from copper production.

(c) Includes tonnage produced and shipped in preproduction period.

McINTYRE
PORCUPINE MINES LIMITED

	1969	1968	1967	1966	1965	1964	1963
	103,407	106,457	108,881	126,624	161,102	183,176	199,145
	$48.12	$48.22	$48.11	$48.06	$46.37	$43.89	$44.55
	10,813	12,089	14,431	14,947	13,689	6,419	1,915
	71¢	58¢	58¢	63¢	46¢	39¢	36¢
	2,390,682	2,389,282	2,389,282	2,389,182	2,388,382	2,387,982	2,387,082
	3,190	3,169	3,219	3,190	3,529	3,448	4,636
	1,193	863	888	909	1,017	1,100	1,210
	$	$	$	$	$	$	$
	13,037	12,229	14,213	16,506	14,613	10,740	9,537
	14,218	9,084	4,822	8,122	8,693	6,091	3,545
	1,990	1,208	1,183	1,004	947	708	510
	516	732	1,190	1,055	1,031	392	221
	445	285	316	605	165	275	104
	14,356	8,704	5,017	9,966	9,255	6,068	3,378
	5.96	3.64	2.87	4.17	3.88	2.54	1.42
	4,780	5,496	6,689	6,438	5,732	4,298	3,817
	2.00	2.30	2.80	2.70	2.40	1.80	1.60
	502	7,702	18,230	3,332	3,358	3,103	2,662
	120,692	107,027	93,224	106,720	98,425	93,472	96,557
	42,670	5,515	5,374	4,223	4,774	5,595	3,047
	33,313						
	129,612	119,922	116,714	114,203	106,743	102,637	104,419
	54.22	50.19	48.85	47.80	44.69	42.98	43.74

McINTYRE
PORCUPINE MINES LIMITED

CORPORATE OFFICE:

51st Floor
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Toronto, Ontario M5L 1C1
Telephone: (416) 362-4751

EXPLORATION OFFICES:

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British Columbia

J. W. MacLeod,
McIntyre Porcupine Mines Limited,
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Tel.: (604) 685-9815

AUSTRALIA

Queensland

G. B. Darling, Managing Director,
McIntyre Mines (Australia) Pty. Ltd.,
369 Montague Road,
West End 4101,
Brisbane.
Tel.: 44-2512; 44-2518

INTERIM REPORT
TO
SHAREHOLDERS

For the Three Months Ended
March 31, 1972

Including the President's Address to the Shareholders

May 10, 1972

6-month loss
2,078,000 or 86¢,

McINTYRE
PORCUPINE MINES LIMITED

SUITE 1200, 55 YONGE ST.
TORONTO, CANADA

To the Shareholders:

The Sixtieth Annual and General Meeting of the Shareholders of the Company was held on May 10, 1972 in Toronto. Approximately 83% of the shares were represented in person or by proxy.

Mr. J. K. Godin, President and Chief Executive Officer of the Company, addressed the meeting as follows:

"I welcome you to this, the sixtieth annual meeting of McIntyre Porcupine Mines Limited. Your interest in the affairs of the Company as indicated by your presence here today is very much appreciated. To those shareholders who could not be with us but returned their proxies, I extend thanks on behalf of your directors.

The annual report of 1971 operations was mailed to shareholders on April 10, 1972, and before dealing with matters of more current interest, I want to refer briefly to last year's results.

1971 Review

It has already been noted that the year 1971 was a most difficult one and results were disappointing. The Company sustained a loss of $3,061,000 compared with a profit of $5,429,000 the previous year. The drop was directly attributable to the inclusion of the results of the Smoky River Coal operation in earnings from April 1st. In the nine months to December 31st that operation, after interest charges

of $2,505,000 and depreciation and amoritzation of $3,217,000, showed a loss of $7,176,000.

At the same time the Company's earnings from its other two major sources of income were down considerably from 1970. At the McIntyre Mine the lower copper price resulted in a decrease in copper earnings of $574,000. Investment income declined $1,513,000 of which the reduction in Falconbridge dividends from $3.50 to $2.75 per share accounted for $1,379,000.

The Madeleine Mine continued to operate satisfactorily although earnings at $1,679,000 were down $652,000 because of copper prices. No part of these earnings is reflected by McIntyre, however, since Madeleine may pay no dividends until its first mortgage income bonds have been retired. Assuming reasonable prices for copper over the balance of 1972 Madeleine should be in a position to consider payment of dividends in 1973.

First Quarter 1972

The first quarter of 1972 unfortunately showed no improvement in McIntyre's earnings picture. The overall loss for the period was $1,505,000 or 62¢ per share. This again was directly attributable to the coal operation although investment income also was down $500,000 from a year ago, reflecting the lower Falconbridge dividend.

The Coal Division showed a loss for the quarter of $2,063,000 after interest of $850,000 and depreciation and amortization of

$1,185,000. It should be noted however that the loss would have been approximately $800,000 less if the preparation plant had processed all the coal which was mined in the period. The Company places no book value on coal until it has passed through the preparation plant. As a result there is a considerable stockpile of unwashed coal which will benefit the earnings of subsequent periods when the preparation plant catches up with mine production.

Operations

Coal Division

Raw coal production for 1971 totalled 1,993,000 long tons. Preparation plant feed totalled 1,832,000 long tons and yielded 1,178,000 long tons of clean coal, as compared to contract requirements of 1,850,000 long tons. Shipments from the start of the contract to the end of April, 1972 have all been within contract specifications.

Shortfall in production last year was due largely to the failure of the longwall units and these were removed from service early in the year. This system is a high production method and conditions appeared to be favourable for its use at Smoky. Ground conditions, and mechanical defects in the powered supports of the No. 5 Mine unit, made it necessary to remove both units from operations. A decision was then made to replace these units with four additional continuous miners which required deliveries of six to eight months. Two were in service by the fourth quarter of 1971 and the remainder during the first quarter of 1972. In addition, an open pit operation was started at No. 8 Mine which reached full production

during October at a rate of 4,000 long tons per day of raw coal.

For the first quarter of 1972 raw coal production totalled 649,000 long tons or 84% of contract requirements. (Production for April shows an increase to 93%.) Feed to the preparation plant totalled 568,000 long tons for a clean coal production of 371,000 long tons which was 70% of forecast. Difficulties due to severe winter conditions in the early part of the quarter adversely affected throughput. The major modifications to the preparation plant are now complete and it is expected this will result in increased throughput during the second quarter. (For April throughput increased to 84% of requirements.)

Although improvement in the manpower situation was apparent during 1971, it continues to be a problem mainly because of the lack of certified coal miners in Western Canada. Government regulations require that miners have certain qualifications and experience before working at the coal face and, initially, miners who could qualify were recruited from Nova Scotia and the United Kingdom. A training program, supported by the Province of Alberta, the Federal Government and your company, is proving successful. During 1971 a total of 86 trainees graduated from the course with 85% accepting employment with McIntyre.

Schumacher Division

The Schumacher mine earnings in 1971 were $388,000, compared with $962,000 in 1970. Income was lower due to the lower average selling price of copper and a moderate reduction in copper production.

Earnings of the Division in the first quarter of 1972 are estimated at $219,000.

Production during the year averaged 3,000 tons of ore per day, made up of 2,100 tons of copper ore and 900 tons of gold ore. Total metals recovered amounted to 9,556,000 pounds of copper, 108,728 ounces of gold and 79,617 ounces of silver.

Copper ore reserves at December 31, 1971 amounted to 3,490,000 tons, down by 130,000 tons from reserves of a year ago. Over the last five years copper reserves have dropped by only 115,000 tons despite the milling of 3,715,000 tons of ore. Gold ore reserves continued to decline, totalling 387,000 tons at year end as compared with 580,000 tons at the end of 1970.

Madeleine Mines

In the second full year of operations, production at the Madeleine mine was at record levels. From 869,000 tons milled, 22.5 million pounds of copper and 197,000 ounces of silver were recovered.

Earnings for the year were $1,679,000 or 36¢ per Madeleine share, compared with $2,331,000 or 50¢ per share in 1970. The lower price received for copper more than offset the higher metal production. Funds available at year-end permitted a $3.85 million reduction of long term debt leaving $3.5 million currently outstanding.

Earnings for the first quarter 1972 amounted to $503,000 or 10.7¢ per Madeleine share, up

from $432,000 or 9.2¢ per share in the same period last year.

Underground exploration was successful in replacing the greater part of the tonnage milled. The above average grade of the ore milled plus the lower grade of the additions, however, resulted in a reduction of overall reserve grade.

Investments

Earnings of Falconbridge Nickel Mines Ltd., your Company's major investment holding, were $3.55 per Falconbridge share in 1971, down from the $8.86 per share of 1970. Despite the record level of metal deliveries during the year, a number of factors combined to provide a negative influence on earnings. The most significant was the lower selling price for copper, affecting not only Falconbridge's copper revenues, but also those of its associated copper producing companies. Another factor was the sharply increased operating costs experienced during the year.

Earnings for the first quarter 1972 at $2,097,000 or $0.42 per Falconbridge share have been affected by a carryover of a number of adverse factors from last year. With improvement in the general level of industrial activity and with the historic 6.5 per cent annual growth rate of the nickel industry in mind, the longer term prospects for Falconbridge can be viewed with optimism.

Changes in the McIntyre investment portfolio during 1971 have been detailed in the annual report. There have been no significant changes since the beginning of 1972. Market value of

investments as of April 30, 1972 was $160 million or $66 per McIntyre share.

Exploration

McIntyre maintains a persistent search for new mineral deposits. In Canada, we are conducting programs in New Brunswick, Ontario, Northern Manitoba and British Columbia. Special emphasis is being given to the Timmins area where ore finding conditions are favorable and where we are already well established.

Our Australian subsidiary is currently undertaking exploration for uranium in the Northern Territory and in Western Australia. In the latter area, a number of surface discoveries have been made by McIntyre personnel. Three base metal prospects are being evaluated by diamond drilling.

We are also continuing a program of prospect evaluation in the southwestern United States oriented toward the acquisition or discovery of porphyry-type copper deposits.

Close

The Schumacher and Madeleine operations are expected to continue at present levels.

At the Smoky River Coal Division, higher than anticipated costs, lower production, and costs related to additional capital expenditures accounted for the losses incurred to date. Most other coal operations throughout North America have been similarly affected by increasing costs. However, while the U.S. producers were able to increase their selling prices, McIntyre, apart from one price adjustment a year ago, has found it necessary to adhere to the con-

tract price, with the escalations which were intially established. The reason for this, briefly, is that most U.S. producers' contracts are short-term, with nominated prices, and are subject to cancellation whereas the McIntyre contract was, of necessity due to financing, a long-term contract with fixed price escalations. As noted in the Annual Report for 1971 current prices for high quality metallurgical coals have risen sharply since our contract was signed and they are now substantially higher than the price McIntyre is receiving. The price differential as it stands following the U.S. producers' increases, is illustrated in a graph which is appended to copies of this address.

Negotiations with our Japanese customers to improve the terms of our contract were begun in April of this year and are still in progress. The negotiations are complex and involve intensive study of long range and detailed mining plans, future tonnage requirements, length of contract and other considerations. Further to the statement in the 1971 annual report concerning the tentative agreement on the No. 9 mine, McIntyre has now decided to cancel the agreement. A new engineering study on this area has just been completed and is to be analysed in detail. Future production plans will await the outcome.

Relations with our Japanese customers have always been amicable and current talks are taking place in an atmosphere that leads us to believe that new contract terms more favourable to McIntyre can be negotiated enabling the Smoky River Coal operation to become profitable.

Acknowledgements

I again express thanks and appreciation to our employees, shareholders and others who have supported and encouraged our efforts during a difficult year."

Mr. D. L. Bohannan did not stand for re-election to the Board of Directors at the Annual Meeting of Shareholders held May 10, 1972 and Mr. Robert B. Fulton was then nominated by Management. At the Meeting Special By-law F was confirmed by the Shareholders reducing the number of directors from 12 to 11. The following directors were elected:

M. A. Cooper	J. O. Hambro
Norman D'Arcy	H. B. Keck
A. E. Feldmeyer	W. M. Keck, Jr.
R. B. Fulton	E. C. Manning
J. K. Godin	D. G. C. Menzel

J. L. Norman

At the organization meeting which followed the Shareholders Meeting the following officers were re-appointed:

Chairman of the Board
M. A. Cooper

President & Chief Executive Officer
J. K. Godin

Vice-President Operations
J. B. Anderson

Vice-President Exploration
W. P. Hammond

Vice-President Corporate Affairs
W. T. Kilbourne II

Corporate Secretary
F. T. McKinney

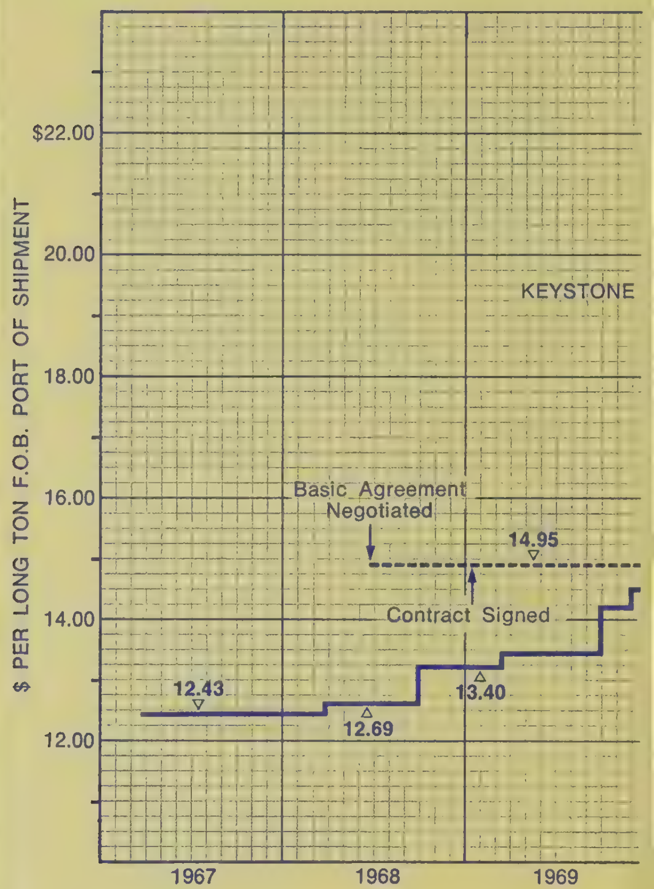
Treasurer
A. G. Goodeve

On June 15, 1972, Mr. J. K. Godin will resign as President and Chief Executive Officer of the Company and will be succeeded by Mr. R. B. Fulton on that date. Mr. Fulton is presently Vice-President Exploration of Newmont Mining Corporation, New York.

President & Chief Executive Officer

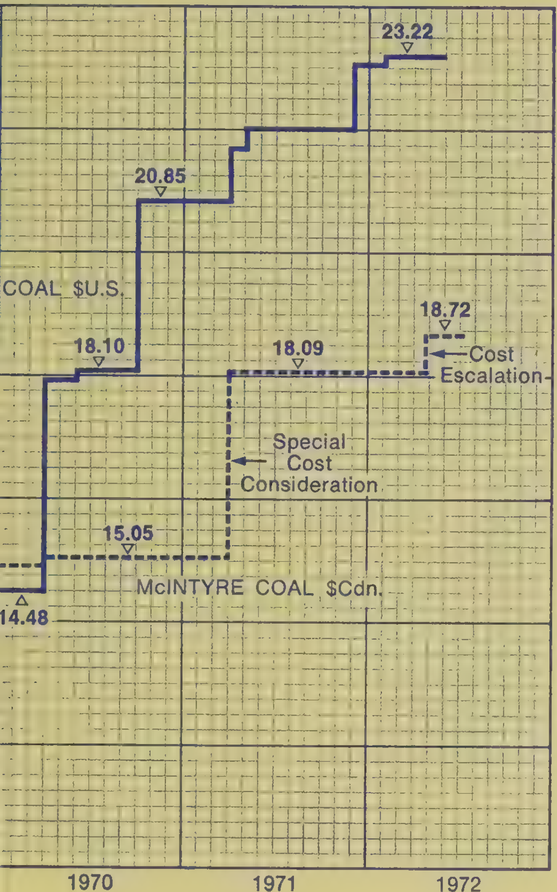
May 16, 1972

PRICE PAID BY JAPANESE STEELMAKERS FOR



Ports of shipment: McIntyre coal, Vancouver, B.C.
Keystone coal, Hampton Roads, Va.

McINTYRE AND KEYSTONE COAL OF THE U.S.



Consolidated Earnings

($000's)

	Three months ended March 31	
	1972	1971
Revenue	$	$
Coal production	6,700	—
Metal Production * ..	2,538	2,384
Falconbridge dividend .	924	1,379
Other investment income	88	138
	10,250	3,901
Expenses		
Operating and administration costs .	9,178	2,410
Depreciation and amortization	1,288	112
Exploration	337	319
Interest	952	117
	11,755	2,958
(Loss) earnings	(1,505)	943
Per share	($0.62)	$0.39

* Includes E.G.M.A.

NOTE: Metal settlements outstanding contain 6,162,000 lbs. of copper valued at a gross price of 48¢ per pound.

Consolidated Source and Use of Funds

($000's)

	Three months ended March 31 1972	1971
Source of Funds	$	$
Net earnings for period	(1,505)	943
Depreciation and amortization	1,288	112
	(217)	1,055
Bank and note financing	3,700	3,193
	3,483	4,248
Use of Funds		
Fixed assets	1,210	252
Deferred mine development	418	616
Dividends	—	970
Employee housing loans	403	(90)
Mine supplies and other	300	152
	2,331	1,900
Increase in funds	1,152	2,348
Working Capital — beginning of period . .	5,886	6,154
Working Capital — end of period	7,038	8,502

McINTYRE
PORCUPINE MINES LIMITED

SUITE 1200, 55 YONGE STREET
TORONTO 1, ONTARIO, CANADA

Printed in Canada

INTERIM REPORT TO SHAREHOLDERS

FOR THE SIX MONTHS ENDED
JUNE 30, 1972

McINTYRE
PORCUPINE MINES LIMITED

SUITE 1200, 55 YONGE ST.
TORONTO, CANADA

McIntyre Porcupine Mines Limited

To the Shareholders:

In the six months to June 30, 1972, your Company sustained a loss of \$2,078,000 or 86¢ per share. This compares with the reported loss of \$702,000 for the same period a year ago, during which a deficit of \$1,460,000 incurred by the Coal Division in the first quarter was deferred and charged to pre-production costs. Operations at the Smoky River Coal Division accounted for the losses in both periods.

In the current six months the Coal Division loss totalled \$3,632,000, while operations at the Schumacher Division from gold and copper sales resulted in a profit of \$806,000. Investment income was \$2,064,000, down from \$3,127,000 a year ago due to the reduced dividend payments from Falconbridge Nickel Mines Limited. Exploration and corporate charges totalled \$1,316,000.

The indicated market value of the investment portfolio at June 30, 1972, was \$126 million or \$52.08 per McIntyre share, compared with \$217 million or \$89.00 per share a year ago. The drop in value reflects the lower market price of the Company's investment in Falconbridge.

Operations

Smoky River Coal Division

Raw coal production for the first six months of 1972 totalled 1,294,000 long tons representing 84% of budget. The preparation plant treated 1,163,000 tons which yielded 803,000 long clean tons, a recovery of 69%. This resulted in a shortfall of 197,000 tons from the quantity of coal to be delivered during the period under McIntyre's sales contract with Japanese customers.

Satisfactory production from the No. 8 strip mine was more than offset by deficient underground tonnages resulting from poor roof conditions and severe surface floods in June which cut power supplies for one week. Underground production was also hampered by a shortage of skilled miners and mechanics. Training programs and a recruitment drive are in progress and should help to bring production up to budget during the latter part of this year.

The present raw coal inventory of approximately 200,000 tons reflects, in part, inability to achieve rated throughput in the preparation plant during the winter months. Modifications are being made to the plant to improve its efficiency. The sizeable clean coal inventory at the minesite which accumulated during the winter months will be shipped prior to July 31st, 1972. A strike by Japanese seamen reduced Smoky River coal shipments from Neptune Terminals in Vancouver during the months of May, June and July with a resultant inventory buildup of more than 200,000 tons on the date of settlement, July 14, 1972.

Negotiations for a price increase have been carried on with the Japanese steel companies purchasing Smoky River coal under the fifteen-year contract. No agreement has been reached to date. Further negotiations are scheduled to commence within the next two months.

Negotiations with the United Steelworkers of America on a renewal of the labour contract covering the hourly-rated employees at the Smoky River operation, which expires on September 30th of this year, have been initiated.

Schumacher Division

Gold production from the gold and copper sections of the McIntyre mine totalled 56,854 ounces for the first six months of 1972, compared with 56,414 ounces a year ago. Copper production during the period was 4.6 million pounds the same as the first half of 1971. Ore tonnage milled during the current period was down slightly from last year, while gold and copper grades were both modestly higher.

Madeleine Mines Ltd.

In the first six months of 1972 the Madeleine Mine, which is 36% owned by your Company, produced 11 million pounds of copper and 95,289 ounces of silver, compared with 10.6 million pounds of copper and 100,193 ounces of silver during the first half of 1971. Earnings totalled $735,000 or 15.6¢ per Madeleine share, compared with $815,000 and 17.3¢ respectively a year ago. The reduction in earnings was mainly attributable to the lower price received for copper.

Falconbridge Nickel Mines Limited

Falconbridge Nickel Mines Limited, in which your Company holds a 37% interest, reported earnings of $1,852,000 or 37¢ per share for the first six months of 1972. Earnings for the same period of 1971 were $10,138,000 or $2.04 per share. The 1972 results reflect a loss from operations of the nickel-iron refinery at Sudbury, including a provision for depreciation, and a gain on the sale of investments totalling $2,195,000 including shares of La Luz Mines Limited.

Other factors contributing to the reduction in Falconbridge's earnings for the period include higher production costs and the strengthening of the Canadian dollar in relation to the U.S. dollar and the British pound sterling, which had an adverse effect on the net value of the company's nickel and copper sales.

President

July 31, 1972

McIntyre Porcupine Mines Limited

Consolidated Earnings

(Unaudited)

($000's)

	Six months ended June 30 1972	1971
	$	$
REVENUE		
Coal production . . .	14,724	4,193
Metal production* .	5,414	4,225
Falconbridge dividends	1,848	2,757
Other investment income	216	370
	22,202	11,545
EXPENSES		
Operating and administration costs	19,324	9,183
Depreciation and amortization . . .	2,383	1,287
Exploration	633	709
Interest	1,940	1,068
	24,280	12,247
(Loss) earnings . . .	(2,078)	(702)
Per share	($0.86)	($0.29)

* Metal settlements outstanding contain an estimated 3,796,000 lbs. of copper valued at a gross price of 46.5¢ per pound.

McIntyre Porcupine Mines Limited

Consolidated Source and Use of Funds

(Unaudited)

($000's)

	Six months ended June 30 1972	1971
	$	$
SOURCE OF FUNDS		
(Loss) earnings for period	(2,078)	(702)
Depreciation and amortization . . .	2,383	1,287
	305	585
Sale of investments .	—	1,336
Bank and note financing	4,100	4,287
	4,405	6,208
USE OF FUNDS		
Fixed assets	2,869	946
Deferred mine development . . .	624	769
Note repayments . .	582	587
Dividends	—	1,940
Employee housing loans	358	30
Long-term receivable	127	210
Mine supplies and other	313	178
	4,873	4,660
Increase (decrease) in working capital .	(468)	1,548
Working Capital — beginning of period	5,886	6,154
Working Capital — end of period	5,418	7,702

PRINTED IN CANADA